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TAGS: [PGOV](#) [PREL](#) [PA](#)
SUBJECT: FADUL IMPRESSES AMCHAM

REF: A. ASUNCION 163
[1](#)B. ASUNCION 196

Classified By: Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Pedro Fadul, presidential candidate for the Beloved Fatherland (PQ) Party, told the Paraguayan-American Chamber of Commerce March 18 that although business and government should work together to promote economic and social development, the private sector should be the economy's driving force. Fadul asserted that the government should guarantee capital investments, build infrastructure, provide security and education, and facilitate investment. Fadul explained that Paraguay had enormous development potential in the energy, agro-business, industry, infrastructure and tourism sectors. He emphasized cultural concepts involving responsible government and long-term planning, which he said must be changed so that the country can advance. On education, Fadul underscored the importance of building education, not schools. He described the Paraguayan government as &obsolete8 and called for institutional reform. Fadul wryly noted that since Paraguay can,t relocate, it must prioritize relations with its neighbors to coordinate cooperation and strengthen MERCOSUR; it should also negotiate trade agreements with the United States and the European Union and renegotiate the Itaipu and Yacyreta Dam treaties. Fadul said there is an overwhelming consensus that he and his party's slate for senators and deputies are the best in the field, but that the same people who sing their praises say &too bad they won,t win.8 Indeed. END SUMMARY.

[1](#)2. (U) Beloved Fatherland presidential candidate Pedro Fadul spoke to the Paraguayan-American Chamber of Commerce March 18, the third in a series of speeches by the major presidential candidates (reftels). The final AmCham speaker was Lino Oviedo on March 27 (septel). DCM and Pol/Econ Chief attended all four presentations.

BUSINESS AND GOVERNMENT

[1](#)3. (U) Fadul told his audience that business and government must work together to promote economic and social development, but that the private sector should be the economy's driving force. Fadul said that the business sector should educate, involve and support the poor. He pointed out that in Paraguay there are "empresarios" (business persons) and "empresaurios" (a play on "dinosaur" in Spanish). These "empresaurios" resist change because they

receive great economic benefits from the system without promoting social or economic development. For that reason, in Paraguay today, the business sector has two options: 1) build higher fences, hire more guards and install more gadgets for security and protection; or 2) leave the country. Fadul urged the business sector to take the lead to promote change.

¶4. (U) Fadul asserted that the government should guarantee capital investments, build infrastructure, provide security and education, and facilitate investment. He emphasized that huge public enterprises must be privatized. Fadul cited the mobile telephone sector as a successful case study, arguing that in the 15 years since it was privatized, billions of dollars were invested in the sector, creating thousands of jobs and training hundreds of people. Fadul argued that other government-owned sectors, including internet service, should be privatized next.

¶5. (U) Fadul highlighted Paraguay's enormous development potential in the energy, agro-business, industry, infrastructure (roads and airports) and tourism sectors. Given Paraguay's surplus of electrical energy, he said the government should facilitate investment in energy, specifically in production and transmission lines. Fadul suggested (as the Ambassador has previously suggested) that Paraguay offer companies interested in building production facilities in Paraguay incentives such as preferential electrical prices. Fadul also said Paraguay should renegotiate its treaties with Argentina and Brazil for additional energy from Yacyreta and Itaipu. Paraguay could earn 8 to 10 billion dollars in 10 years by exploiting its energy resources, according to Fadul.

SOCIAL CHANGE AND EDUCATION

¶6. (U) Fadul dedicated a large portion of his discourse to cultural concepts involving responsible government and long-term planning, which he said must be changed so that the country can advance. The notion that poverty is the product of lack of resources is wrong, he said, &the manner in which resources are allocated is what creates poverty.8 Fadul stated that his father used to say "wealthy is not having more; wealthy is knowing how to manage what one has. It doesn't matter how much you make. If you don't know how to manage your money, you'll always spend more.8 Fadul made clear that in Paraguay there is no lack of resources, projects or ideas. The country has the "hardware," he said. The problem is in the &software,8 or the social behavior and personal characteristics.

¶7. (U) Fadul lamented that there is no long-term vision in Paraguayan culture. Society is based on the Guaraní concept of &if there is a tomorrow,8 or &koeramo.8 He also noted a long-standing culture of dependence on government assistance, which he says Duarte's government promotes to stay in power. Fadul emphasized the need for change. Changing the "software" was possible: 99.9 percent of Paraguayans believe that things should change, that everyone must help, and that everyone should progress together.

¶8. (U) Fadul underscored the importance of building education, not schools. Fadul said, "we must ask the people what they want to be, and teach them how to be what they want to be, not what we want them to be." He cited Atyra, known throughout Paraguay as a model city, as an example. Atyra's mayor worked on cleaning up the city. Soon, word got out that the city was clean and tourists started to arrive. Consequently, the artisans who used to travel great distances to sell their product could set up shop at home. That in turn provided social benefits -- they made money, fed their families and kept their families together. In the end, a simple goal of keeping the city clean produced economic success and great social benefits.

INSTITUTIONAL REFORM

¶9. (U) Fadul criticized the Paraguayan government as "obsolete" and called for institutional reform. He explained that instead of the institutions being used for the common good, they are used to win elections. As an example, Fadul noted that during Stroessner's 1954-89 dictatorship, the military was Paraguay's most powerful and wealthy institution. Today, in contrast, he pointed out that the Ministry of Education's budget has grown 10 times over the last 15 years. Instead of improving education, the Ministry of Education's large budget has been used as the center for electoral power. If in doubt, Fadul said, just look where the last two Colorado presidential candidates have come from (both Duarte and Ovelar served as Ministers of Education).

FADUL ON FOREIGN POLICY

¶10. (U) Fadul wryly noted that since Paraguay can't relocate (or invade Argentina or Brazil), it must prioritize relations with its neighbors to coordinate cooperation and strengthen MERCOSUR; it should also negotiate trade agreements with the United States and the European Union and renegotiate the Itaipu and Yacyreta Dam treaties. He asserted that Paraguay must change its style of conducting foreign policy. It must send the best and brightest negotiators to the negotiating table. It should end its culture of begging. To illustrate, Fadul stated that it made no sense that Paraguay chose to deal with Taiwan at the expense of China, & just because Taiwan gives a few millions here and there and builds some schools.⁸ It is no surprise, he said, that Paraguay is the only country in South America that still has diplomatic relations with Taiwan. On Itaipu and Yacyreta, he clarified that negotiations will be difficult,⁸ since one must negotiate within Paraguay first and then with Brazil and Argentina. Fadul said "the first step should be to explain to the people what the problem is. You can't ask the people to walk with you through a dark tunnel if you do not tell them what is on the other side."

FADUL ON FADUL

¶11. (U) Fadul said he hears an overwhelming consensus on the campaign trail that he and his party's candidates for senators and deputies are the best in the field, the most ethical, and the hardest working representatives in Congress. The same people who sing their praises, he said, also say & it's too bad they won't win.⁸ Fadul discounted his distant fourth place finish in the polls, implying that the polls are biased. He acknowledged that the polls give him 3 to 5 percent, noting with a grin that everywhere he goes, he is immediately greeted by his "3 percent."

COMMENT

¶12. (C) Fadul delivered an eloquent and humorous speech to a friendly audience. He conveys confidence, conviction and intelligence, and certainly could capably lead Paraguay through the end of its democratic transition and improve the country's economic development. Impeccably dressed, Fadul spoke for 20 minutes and answered audience questions for another 30 minutes, all without notes. Unlike his opponents, he understood the concerns of the private sector and addressed them head-on -- assuring them that the private sector would be the economy's motor if he were elected. It really is too bad he won't win. END COMMENT.

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